

# HOUSING NOW

## Canada

CANADA MORTGAGE AND HOUSING CORPORATION

Date Released: June 2012

## Canadian Market Overview

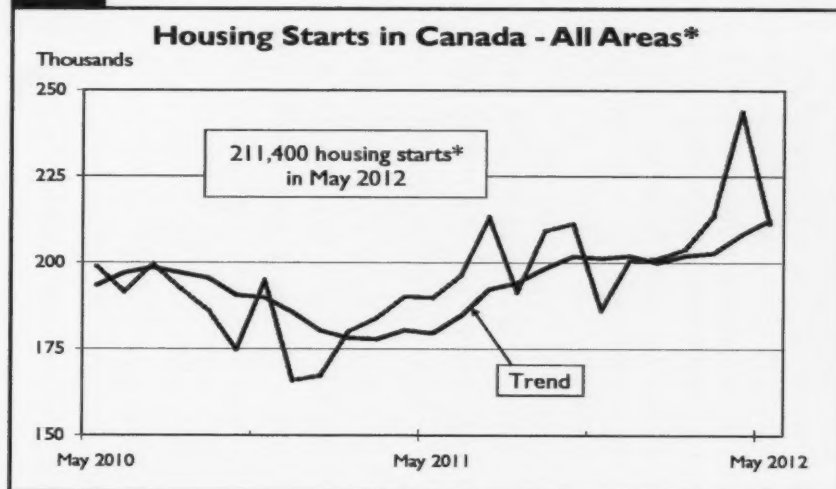
### New Home Market

#### *Housing starts decreased in May*

The number of housing starts was trending at 212,400 units in May. The trend is a moving average of the monthly seasonally adjusted annual rates (SAAR)<sup>1</sup> of housing starts. The standalone monthly SAAR was

211,400 units in May, down from 243,800 in April. As anticipated, the pace of housing starts observed in April was not sustained in May. In fact, the pace in May was more in line with the average over the last six months.

Figure 1



Source: CMHC

<sup>\*</sup>Seasonally adjusted at annual rates

<sup>1</sup>All starts figures in this report, other than actual starts, are seasonally adjusted annual rates (SAAR) — that is, monthly figures are adjusted to remove normal seasonal variation and multiplied by 12 to reflect annual levels. By removing seasonal ups and downs, seasonal adjustment makes it possible to highlight the fundamental trends of a series. Reporting monthly figures at annual rates indicates the annual level of starts that would be obtained if the monthly pace was maintained for 12 months. This facilitates comparison of the current pace of activity to annual forecasts as well as to historical annual levels.

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For some markets, CMHC uses the trend measure as a complement to the monthly SAAR of housing starts to account for considerable swings in monthly estimates and obtain a more complete picture of the state of the housing market. Analysing only SAAR data can be misleading in some markets in some situations, as they are largely driven by the multiples segment of the markets which can be quite volatile from one month to the next.

### **Urban single and multiple starts decreased in May**

The seasonally adjusted annual rate of total urban<sup>2</sup> starts decreased by 15.8 per cent to 189,600 units in May compared to 225,100 units in April. While urban single starts decreased by 4.2 per cent to 64,300 units, urban multiple starts posted a decrease of 20.7 per cent to 125,300 units in May.

### **Urban starts decreased in three regions**

In May, the seasonally adjusted annual rate of urban starts decreased in Québec (-35.8 per cent), Ontario (-18.3 per cent) and the Prairie Region (-7.7 per cent). On the other hand, urban starts increased in Atlantic Canada (6.4 per cent) and in British Columbia (20.9 per cent).

The seasonally adjusted annual rate of rural starts was 21,800 units in May compared to 18,700 units in April.

### **Stock of new and unoccupied units**

The stock of unoccupied new housing units has been stable over the past year, indicating continued strength in demand for newly constructed homes.

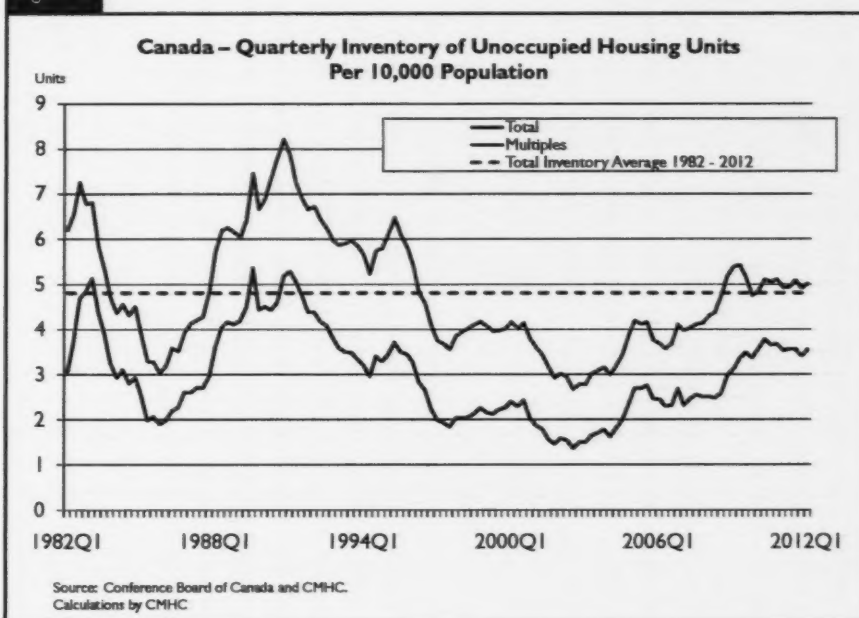
Over a longer time frame, the stock of unoccupied new units needs to be assessed relative to the stock of all housing, occupied and unoccupied, new and existing. However, in the absence of up-to-date estimates of the stock of all housing,

population estimates can be used. Currently, the ratio of the stock of unoccupied new units to population is close to the historical average.

In the first quarter of 2012, the total level of housing inventory<sup>3</sup> per 10,000 population stood at 5, close its 1982 - 2012 average (4.8). As for the inventory of multiple units, the level recorded in the first quarter of 2012 was 3.5, slightly above its historical average of 3 unoccupied units per 10,000 population, while the inventory of single and semi-detached units was 1.5, below its historical average.

After falling 28.4 per cent between 2009 and 2010, the

Figure 2



<sup>2</sup>Urban centres are defined as centres with a population of over 10,000. CMHC surveys urban centres 10,000-49,999 at the end of every quarter. Months which are not at the end of a quarter are thus estimates.

<sup>3</sup>The inventory of housing units is defined as the level of newly constructed and unoccupied units. Units under construction are not taken into account in this inventory because some units under construction are pre-sold.

number of new and unoccupied singles and semis fluctuated narrowly between 5,500 and 6,200 units during 2011. In May 2012, the number of new and unoccupied single and semi-detached homes remained in this range, reaching 5,803. With respect to multiples, the number of new and unoccupied units oscillated in a band between 12,600 and 14,200 units, standing at 12,526 units in May 2012.

### **New housing price index was up in April**

The New Housing Price Index (NHPI) increased 2.5 per cent in April 2012 compared to April 2011. This is slightly down from the 2.6 per cent, year-over-year increase that was observed in March 2012.

New home prices increased in 18 out of 21 centres. The largest increases in the NHPI were in Toronto and Oshawa (5.9 per cent), followed by Regina (5.6 per cent) and Winnipeg (4.3 per cent). Declines were registered in Victoria (-2.3 per cent), Vancouver (-0.8 per cent) and St. John's (-0.3 per cent).

### **Existing Home Market**

#### **MLS® sales decreased in May**

The seasonally adjusted annual rate of MLS® (Multiple Listing

Figure 3



Data are seasonally adjusted and annualized, and cover Canada's major markets  
Sources: CMHC, Canadian Real Estate Association (CREA), MLS

Service®) sales decreased 3.1 per cent to 470,580 units in May, compared to 485,844 units in April 2012.

#### **MLS® new listings stable in May**

The seasonally adjusted annual rate of MLS® new listings in May was 880,932, an increase of 0.3 per cent from 877,932 in April.

#### **The Sales-to-New-Listings ratio into a balanced-to-sellers' market**

An indicator of price pressure in the existing home market is the sales-to-new-listings ratio<sup>5</sup>. New

listings are a gauge of the supply of existing homes, while MLS® sales are a proxy for demand.

In May, the decrease of MLS® sales caused sales-to-new-listings ratio for Canada to decrease to 53.4 per cent, from 55.3 per cent. Fifty-five percent is commonly viewed as the threshold between balanced and sellers' market conditions.

#### **MLS® price slightly decreased in May**

The national May seasonally adjusted average MLS® price decreased by 1.4 per cent to \$363,274 from \$368,412 in April. In May, the unadjusted MLS® average price decreased

<sup>4</sup>Multiple Listing Service (MLS®) is a registered trademark owned by the Canadian Real Estate Association

<sup>5</sup>Taking the Canadian MLS® market as a whole, a sales-to-new-listings ratio below 40 per cent has historically accompanied prices that are rising at a rate that is less than inflation, a situation known as a buyers' market. A sales-to-new-listings ratio above 55 per cent is associated with a sellers' market. In a sellers' market, home prices generally rise more rapidly than overall inflation. When the sales-to-new-listings ratio is between these thresholds, the market is said to be balanced.

0.3 per cent to \$375,605 from \$376,815 a year ago.

Earlier this year the Canadian Real Estate Association (CREA) launched a house price index that uses statistical techniques to control for changes over time in the types and quality of homes that are sold. According to this new measure, house prices in the markets covered<sup>6</sup> increased 5.2 per cent between May 2011 and May 2012. Prices rose further in all five markets on a year-over-year basis. Price increases were biggest in Greater Toronto (7.9 per cent), followed by Calgary (4.8 per cent), Greater Vancouver (3.3 per cent), the Fraser Valley (2.4 per cent), and Montreal (2.2 per cent).

### Economic conditions

According to Statistics Canada, following two months of strong gains, employment was unchanged in May. Full-time employment and part-time employment didn't post significant changes from April.

Among the provinces, month-over-month gains were distributed as follows: Québec (14,700 jobs), Alberta (9,800 jobs), New Brunswick (5,300 jobs) and Manitoba (1,000 jobs). Meanwhile, month-over-month decreases were distributed as follows: Ontario (-18,700 jobs), Newfoundland and Labrador (-1,700 jobs), Prince Edward Island (-1,000 jobs), Nova Scotia (-1,000 jobs), Saskatchewan (-400 jobs) and British Columbia (-200 jobs).

Statistics Canada reported

that the unemployment rate remained unchanged at 7.3 per cent in May. Compared with 12 months earlier, employment was up 1.2 per cent or 203,000. Virtually all of this growth was in full-time work, up 192,000 (1.4 per cent).

Statistics Canada's Consumer Price Index, which is a measure of inflation, rose 1.2 per cent in the 12 months to May, following a 2 per cent increase in April. This 0.8 percentage point difference was mostly attributable to declines for gasoline prices. Core inflation, which excludes the eight most volatile items and the effect of changes in indirect taxes, rose 1.8 per cent in the 12 months to May, following a 2.1 per cent increase in April.

On June 5th, the Bank of Canada announced that it would maintain the Target for the Overnight Rate unchanged at 1.0 per cent. The Bank stated that the outlook for global economic growth has weakened in recent weeks and some of the risks around the European crisis are materializing. In the US, the economy continues to expand at a modest pace.

In Canada, the economy continues to operate with a small degree of excess capacity. The inflation is anticipated to fall under the 2 per cent mark in the short term as a result of lower gasoline prices.

The next interest rate announcement of the Governing Council of the Bank of Canada is scheduled to take place on July 17th, 2012. A full update

of the Bank's outlook for the economy and inflation, including risks to the projection, will be published in the Monetary Policy Report on July 18th, 2012. ■

<sup>6</sup>The MLS® Home Price Index is based on single family, townhouse/row unit, and apartment unit sales activity in Greater Vancouver, Fraser Valley, Calgary, Greater Montreal, and Greater Toronto.



## Residential Mortgage Credit: Growth in the First Quarter of 2012

*Residential mortgage credit increased by 7.0 per cent in the first quarter of 2012, compared to the first quarter of 2011.*

Canadian interest rates remain near historical lows, which continues to support the residential mortgage market. In addition, favourable domestic economic conditions are also supporting the residential mortgage credit sector. All-in-all, these conditions have led to a 7.0 per cent increase in residential mortgage credit during the first quarter of 2012, compared to the same quarter of 2011. For comparison, the year-over-year growth was 7.6 per cent last quarter of 2011, 7.5 per cent for the third quarter of 2011 and 7.3 per cent for the second quarter of 2011 (see the table below). ■

Figure 4

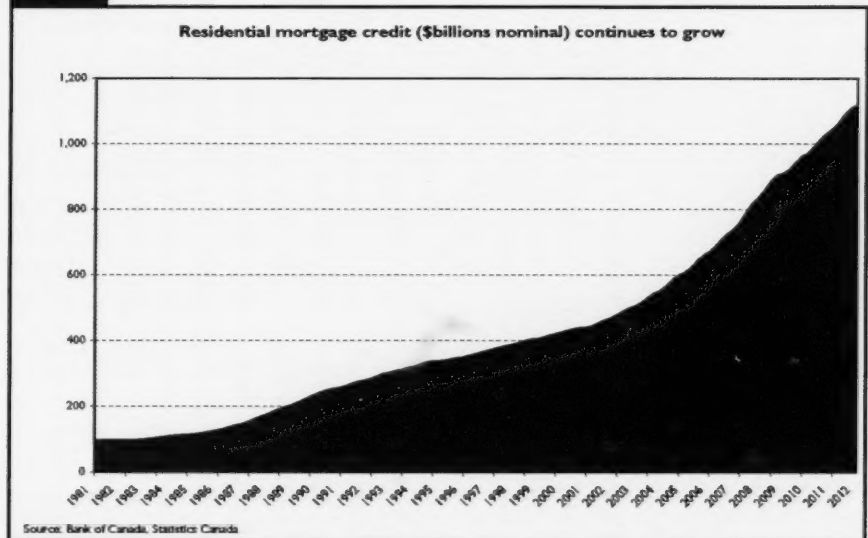
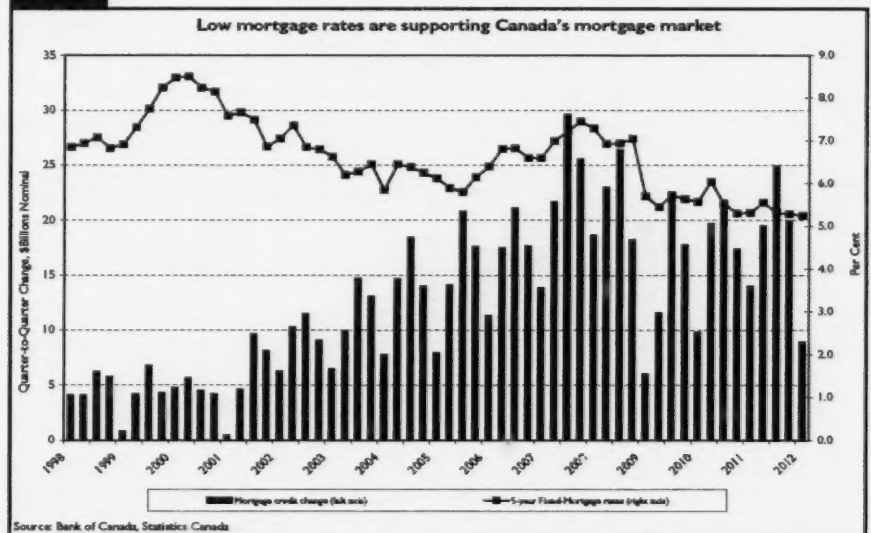


Figure 5



### Mortgage credit outstanding (\$millions)

	2010	2011	1Q11	2Q11	3Q11	4Q11	1Q12
<b>TOTAL</b>	1,000,626	1,075,576	1,043,500	1,063,017	1,087,916	1,107,873	1,116,774
% change (year-over-year)	7.2	7.5	7.5	7.3	7.5	7.6	7.0

\* Average for the period, unadjusted

Source: Bank of Canada, Statistics Canada.

## This Month's Housing Data (SAAR)

	2011	Q3:11	Q4:11	Q1:12	M03:12	M04:12	M05:12
<b>Housing starts, units, 000s</b>							
<b>Canada. Total. All areas</b>	<b>194.0</b>	<b>205.3</b>	<b>199.7</b>	<b>204.4</b>	<b>213.6</b>	<b>243.8</b>	<b>211.4</b>
Per cent change from previous period	2.1	5.5	-2.7	2.4	4.8	14.1	-13.3
<b>Canada. Total. Rural areas</b>	<b>19.6</b>	<b>22.8</b>	<b>20.6</b>	<b>18.8</b>	<b>23.1</b>	<b>18.7</b>	<b>21.8</b>
Per cent change from previous period	-17.5	20.6	-9.6	-8.7	12.7	-19.0	16.6
<b>Canada. Total. Urban areas</b>	<b>174.4</b>	<b>182.5</b>	<b>179.1</b>	<b>185.6</b>	<b>190.5</b>	<b>225.1</b>	<b>189.6</b>
Per cent change from previous period	4.9	3.9	-1.9	3.6	3.9	18.2	-15.8
<b>Canada. Single. Urban areas</b>	<b>67.1</b>	<b>69.6</b>	<b>67.5</b>	<b>66.4</b>	<b>66.9</b>	<b>67.1</b>	<b>64.3</b>
Per cent change from previous period	-9.6	2.2	-3.0	-1.6	-2.9	0.3	-4.2
<b>Canada. Multiple. Urban areas</b>	<b>107.3</b>	<b>112.9</b>	<b>111.6</b>	<b>119.2</b>	<b>123.6</b>	<b>158.0</b>	<b>125.3</b>
Per cent change from previous period	16.7	4.9	-1.2	6.8	7.9	27.8	-20.7
<b>Newfoundland. Total. All areas</b>	<b>3.5</b>	<b>3.6</b>	<b>3.2</b>	<b>3.5</b>	<b>3.0</b>	<b>4.0</b>	<b>3.5</b>
Per cent change from previous period	-3.3	-2.7	-11.1	9.4	20.0	33.3	-12.5
<b>Prince Edward Island. Total. All areas</b>	<b>0.9</b>	<b>1.3</b>	<b>1.2</b>	<b>0.5</b>	<b>0.4</b>	<b>1.1</b>	<b>0.7</b>
Per cent change from previous period	24.3	62.5	-7.7	-58.3	-20.0	175.0	-36.4
<b>Nova Scotia. Total. All areas</b>	<b>4.6</b>	<b>5.5</b>	<b>4.9</b>	<b>3.9</b>	<b>4.3</b>	<b>2.5</b>	<b>3.7</b>
Per cent change from previous period	7.8	31.0	-10.9	-20.4	-2.3	-41.9	48.0
<b>New Brunswick. Total. All areas</b>	<b>3.5</b>	<b>4.1</b>	<b>3.8</b>	<b>2.5</b>	<b>1.8</b>	<b>2.3</b>	<b>4.1</b>
Per cent change from previous period	-15.8	20.6	-7.3	-34.2	5.9	27.8	78.3
<b>Quebec. Total. All areas</b>	<b>48.4</b>	<b>49.4</b>	<b>48.1</b>	<b>40.8</b>	<b>43.6</b>	<b>63.0</b>	<b>43.7</b>
Per cent change from previous period	-5.8	1.4	-2.6	-15.2	-7.6	44.5	-30.6
<b>Ontario. Total. All areas</b>	<b>67.8</b>	<b>71.2</b>	<b>66.8</b>	<b>79.0</b>	<b>86.6</b>	<b>96.8</b>	<b>79.6</b>
Per cent change from previous period	12.2	0.7	-6.2	18.3	29.4	11.8	-17.8
<b>Manitoba. Total. All areas</b>	<b>6.1</b>	<b>6.5</b>	<b>7.3</b>	<b>6.8</b>	<b>7.7</b>	<b>4.9</b>	<b>10.5</b>
Per cent change from previous period	3.3	10.2	12.3	-6.8	22.2	-36.4	114.3
<b>Saskatchewan. Total. All areas</b>	<b>7.0</b>	<b>8.1</b>	<b>7.4</b>	<b>8.8</b>	<b>8.4</b>	<b>8.5</b>	<b>5.7</b>
Per cent change from previous period	19.0	15.7	-8.6	18.9	-25.0	1.2	-32.9
<b>Alberta. Total. All areas</b>	<b>25.7</b>	<b>27.4</b>	<b>30.4</b>	<b>31.0</b>	<b>35.2</b>	<b>37.0</b>	<b>31.4</b>
Per cent change from previous period	-5.1	16.6	10.9	2.0	10.3	5.1	-15.1
<b>British Columbia. Total. All areas</b>	<b>26.4</b>	<b>28.2</b>	<b>26.6</b>	<b>27.6</b>	<b>22.6</b>	<b>23.7</b>	<b>28.5</b>
Per cent change from previous period	-0.3	5.6	-5.7	3.8	-27.8	4.9	20.3

SOURCE: CMHC, Starts and Completions Survey. All data are seasonally adjusted and annualized. This seasonally adjusted data goes through stages of revision at different times through the yearly cycle resulting in finalization of preliminary data. These revisions take place at the end of each month, quarter and year.

**This Month's Housing Data, continued (SAAR)\***

	2011	Q3:11	Q4:11	Q1:12	M03:12	M04:12	M05:12
<b>Housing starts, units, 000s</b>							
Canada. Total. Urban areas	174.4	182.5	179.1	185.6	190.5	225.1	189.6
Newfoundland. Total. Urban areas	2.3	2.5	2.0	2.4	2.2	3.3	2.0
Prince Edward Island. Total. Urban areas	0.7	1.0	0.8	0.3	0.3	1.0	0.4
Nova Scotia. Total. Urban areas	4.1	4.8	4.4	3.2	3.7	1.8	2.9
New Brunswick. Total. Urban areas	2.5	2.9	2.5	1.9	1.5	1.7	3.0
Quebec. Total. Urban areas	41.8	42.5	41.0	34.8	34.9	55.3	35.5
Ontario. Total. Urban areas	65.2	68.5	64.1	77.1	84.3	94.6	77.3
Manitoba. Total. Urban areas	4.2	4.1	5.2	4.3	4.3	3.3	8.4
Saskatchewan. Total. Urban areas	5.7	5.6	6.4	7.0	6.2	7.1	4.2
Alberta. Total. Urban areas	23.6	24.7	28.3	28.9	32.3	35.0	29.3
British Columbia. Total. Urban areas	24.3	25.9	24.4	25.7	20.8	22.0	26.6

SOURCE: CMHC, Starts & Completions Survey. All quarterly and monthly data are seasonally adjusted and annualized. This seasonally adjusted data goes through stages of revision at different times through the yearly cycle resulting in finalization of preliminary data. These revisions take place at the end of each month, quarter and year.

**This Month's Major Housing Indicators**

	2011	Q3:11	Q4:11	Q1:12	M03:12	M04:12	M05:12
<b>New Housing</b>							
New & unoccupied singles & semis, units 000s	5.8	5.6	6.0	6.1	6.1	5.9	5.8
Per cent change from same period previous year	8.9	12.7	7.7	4.3	4.2	3.5	4.6
New & unoccupied row & apartments, units 000s	13.2	13.6	12.9	13.2	13.1	13.0	12.5
Per cent change from same period previous year	-2.8	-1.2	-5.9	-3.1	1.6	3.1	-1.2
New House Price Index, 2007=100	105.5	105.8	106.4	107.0	107.3	107.5	n.a.
Per cent change from same period previous year	2.2	2.3	2.5	2.4	2.6	2.5	n.a.

**Existing Housing**

MLS® resales*, units 000s	457.3	454.4	471.4	473.1	486.0	485.8	470.6
Per cent change from same period previous year	2.4	13.2	7.3	3.1	6.9	10.0	6.8
MLS® average resale price**, 000s	363.1	361.6	360.6	368.5	367.6	368.4	363.3
Per cent change from same period previous year	7.1	8.3	3.9	1.0	-0.6	0.6	-1.0

**Mortgage Market**

Posted 1-Year Mortgage Rate, % (period average)	3.52	3.50	3.50	3.30	3.20	3.20	3.20
Posted 5-Year Mortgage Rate, % (period average)	5.37	5.32	5.29	5.26	5.24	5.44	5.34

SOURCE: CMHC, Statistics Canada, Bank of Canada, The Canadian Real Estate Association.

n.a. Figures not available.

\* Annual data is actual. Quarterly and monthly data are seasonally adjusted and annualized (SAAR).

\*\* Annual data is actual. Quarterly and monthly data is seasonally adjusted.

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